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FISCAL IMPACT STATEMENT

LS 7161

BILL NUMBER: SB 480

NOTE PREPARED: Jan 22, 2013

BILL AMENDED:

SUBJECT: Substitute Natural Gas Contract.

FIRST AUTHOR: Sen. Taylor

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill repeals IC 4-4-11.6 concerning substitute natural gas contracts. It makes conforming amendments.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) The Indiana Finance Authority (IFA) entered into a purchase contract with the SNG producer in November 2011 under the authority of IC 4-4-11.6. The bill repeals IC 4-4-11.6, effective upon passage. The validity of the contract entered into in November 2011 is the subject of pending litigation. This bill may require additional contract negotiations, administrative review, and legal costs. This fiscal impact is contingent on the decisions made in response to the changes in this bill.

Background: I.C. 4-4-11.6 permitted the IFA to enter into contracts for the purchase and sale of substitute natural gas (SNG) from coal gasification facilities to regulated energy utilities for delivery to retail end-use customers. It required that before July 1, 2009, the facility must apply for a federal loan guarantee through the U.S. Department of Energy's Loan Guarantee Program Office for the financing of the facility. It also required the IFA to establish the SNG Account . The SNG Account consists of payments made by retail end-use customers to the IFA through regulated energy utilities for costs associated with the purchase and delivery of SNG.

The IFA entered into a 30-year purchase contract with Indiana Gasification, LLC, a subsidiary of Leucadia National Corporation, to purchase 38 million MMBtus of SNG. The contract was approved by the IURC in

November 2011. The natural gas marketplace has experienced changes in SNG pricing since the inception of this project. This led to disagreements between various parties impacted by this contract. Indiana Gas Company, Inc. and Southern Indiana Gas and Electric Company, et. al. filed a lawsuit against the two parties to the contract. On October 30, 2012, the Indiana Court of Appeals reversed the IURC's order approving the SNG purchase contract between IFA and Indiana Gasification, LLC.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IFA; OUCC; IURC.

Local Agencies Affected:

Information Sources: <http://www.in.gov/ifa/2695.htm> , Indiana Finance Authority.

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